

DATA POINTS

By
THE CAPITAL AREA
COUNCIL OF GOVERNMENTS



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OCTOBER 2011

AUSTIN - THE PATENTLY OBVIOUSLY CHOICE

With its abundance of patent filers, strong research universities, low cost of living, and highly skilled workforce, Austin is the ideal community for a satellite location for the United States Patent and Trademark Office (USPTO). And thanks to the passage of new federal legislation, the USPTO will soon be establishing its first offices outside of Washington, DC.

The landmark America Invents Act (AIA), signed by President Obama in September, seeks to reform the U.S. patent system by transforming the basis of awards from "first to invent" to "first to file" system. The change not only aligns the U.S. patent system with the rest of the world (only one other country employs "first to invent") but also introduces a greater level of simplicity to the patenting process. According to USPTO Director David Kappos, the AIA is the "the biggest thing that's happened in the patent world since 1836," when the first American Patent Act was passed.

The AIA calls for the creation of three satellite USPTO offices. Detroit has already been selected for one office and Silicon Valley is an obvious choice for the second location. Each satellite office is estimated to employ between 200 to 250 highly skilled workers such as engineers and scientists. The satellite offices are also likely to produce significant indirect benefits by attracting related businesses such as law firms to relocate nearby. Unsurprisingly, regions throughout the country are jockeying to land the third satellite office.

Despite the fierce competition, Austin is uniquely advantaged to host a USPTO office. The AIA stipulates that the three satellite offices be geographically diverse. Given the selection of Detroit and the near certainty of a California office, the third USPTO office is unlikely to be located east of the Mississippi or on the West Coast.

Furthermore, the needs of a new satellite office align perfectly with strengths of the Austin region. According to USPTO Director Kappos, the following factors are crucial to the site selection process: (1) The prevalence of patent filers in the area; (2) The presence of universities in the area; (3) Cost of living in the area; (4) The ability to hire and retain skilled professionals who can examine patent applications.

Thus far, the Denver/Boulder region has emerged as Austin's most formidable competitor. Given the metrics identified by Director Kappos, how do these two communities stack up against one another?

EMPLOYMENT UPDATE - SEPTEMBER

7.4% CAPCOG UNEMPLOYMENT RATE
0.0% CHANGE SINCE AUGUST 2010
+ 5,941 JOBS GAINED DURING PAST YEAR

COUNTY	UNEMPLOYMENT	JOBS + / -
Bastrop	8.6%	209
Blanco	6.1%	18
Burnet	7.1%	211
Caldwell	9.3%	227
Fayette	6.3%	79
Hays	7.4%	614
Lee	6.8%	55
Llano	8.3%	84
Travis	7.2%	2,969
Williamson	7.7%	1,475

SOURCE: Texas Workforce Commission

RETAIL SALES TAX COLLECTION - SEP

COUNTY	TOTAL	CHANGE SINCE OCT 2010
Bastrop	\$460,073	12.4%
Blanco	\$58,244	54.1%
Burnet	\$736,009	14.3%
Caldwell	\$293,812	13.3%
Fayette	\$248,477	36.1%
Hays	\$2,656,979	12.5%
Lee	\$153,252	16.9%
Llano	\$65,525	-3.6%
Travis	\$14,530,483	17.1%
Williamson	\$7,827,179	8.7%

SOURCE: Texas Comptroller

AUSTIN METRO REAL ESTATE - SEP

	SEP '11	SEP '10	CHANGE
Sales	1,839	1,406	30.8%
Average Price	\$246,800	\$243,300	1.4%
Total Listings	9,489	11,834	-19.8%
Inventory (Months)	5.5	6.8	-19.1%

SOURCE: Texas State Realty Center

U.S. PATENT OFFICE SITE SELECTION CRITERIA

PATENT
ACTIVITY

RESEARCH
UNIVERSITY

WORKFORCE

COST OF LIVING

For questions about Data Points, please
contact John Rees
512.916.6183
jrees@capcog.org

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AUSTIN - THE PATENTLY OBVIOUSLY CHOICE (CONTINUED)

PATENT ACTIVITY

In the realm of patent activity, Austin possesses a clear advantage over Denver and Boulder. On a per capita basis, Austin produces nearly three times as many patents as Denver and Boulder combined. Between 2006 and 2010, approximately 10,250 patents originated in the Austin metropolitan area. Denver and Boulder, whose combined population is 65 percent larger than the Austin region, produced less than 5,300 patents during this same period—barely half of the Austin total.

Regionally, Denver appears even less appropriate for a satellite office. In 2010, the combined number of patents issued in Colorado and all bordering states—Arizona, Colorado, Kansas, Nebraska, New Mexico, Oklahoma, Utah, and Wyoming—was just under 7,000. In 2010, Texas alone produced more than 7,500 patents. From a patent prospective, Austin is not only home to more innovation, but the region also benefits from remarkably inventive neighbors.

RESEARCH UNIVERSITY

USPTO Director Kappos has championed the importance of universities as a source of both patent activity and a pipeline of future USPTO labor. Both quantitatively and qualitatively, Austin's engineering expertise exceeds that of Denver and Boulder. The University of Texas (UT) in Austin has nearly 2,500 graduate engineering students—50 percent more than the University of Colorado. Additionally, the graduate engineering program at UT is ranked as the 8th best program in the country by *U.S. News and World Report*; the University of Colorado doesn't crack the top 35. Finally, UT creates more valuable innovations. According to the Association of Technology Managers, UT generated more than \$11.5 million in licensing income in 2008—90 percent more income than the University of Colorado.

COST OF LIVING

According to the most recent data from the Council for Community and Economic Research, the cost of living in Austin is approximately 11 percent less expensive than Denver. While the cost of living in Denver is nearly 5 percent higher than the U.S. average, Austin's cost of living is nearly 6 percent lower than the U.S. average.

WORKFORCE

While the workforces of both Austin and the Denver/Boulder region are highly skilled, Central Texas maintains a slight edge in technical talent. On a per capita basis, both regions have nearly identical proportions of engineers & architects and scientists. The Austin region, however, has a higher proportion of computer and mathematical scientists; for every 1,000 people in Austin's labor force, 57 are employed in computer and mathematical science occupations, a 15 percent higher proportion than the combined figure for Denver and Boulder. Austin proves you can have your cake and eat it too—more talent and more innovation, at a lower cost.

AUSTIN VERSUS DENVER/BOULDER

A Comparison of Four Site Selection Factors

PATENT ACTIVITY

(Per 10,000 Residents)

AUSTIN

14.3

DENVER/BOULDER

4.8

ADVANTAGE:
AUSTIN

RESEARCH UNIVERSITY

(Graduate Engineering Enrollment)

AUSTIN

2,476

DENVER/BOULDER

1,638

ADVANTAGE:
AUSTIN

WORKFORCE

(Engineering, Computer/Math, and Science Occupations per 1,000 Workers)

AUSTIN

95.3

DENVER/BOULDER

88.1

ADVANTAGE:
AUSTIN

COST OF LIVING

(100 Equals U.S. Average)

AUSTIN

94.1

DENVER/BOULDER

104.6

ADVANTAGE:
AUSTIN

Source: U.S. Patent Office, U.S. News & World Report, U.S. Bureau of Economic Analysis, C2ER

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AUSTIN MAINTAINS TRADITION OF INNOVATION

Austin is one of the most innovative regions in the country. Thanks to an existing abundance of skilled workers, a quality of life that attracts the nation's brightest minds, a premier research university and cutting edge technology firms. All of which is evidenced by the latest information on patent data published by the United States Patent and Trademark Office.

In 2010, Austin residents and companies produced more than 2,449 patents. On a per capita basis, the Austin region generated 14.2 patents for every ten-thousand residents. Among metropolitan areas with at least one million residents, only San Francisco and San Jose produced a higher proportion of patents last year. To put this figure in perspective, Atlanta and Denver, with a combined population of more 7.8 million residents, produced fewer patents than the 1.7 million residents residing in Austin.

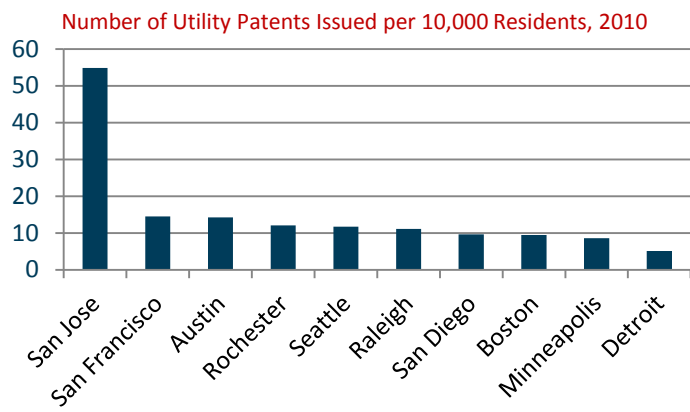
Remarkably, the Austin region has seen its patent activity continue to grow at a healthy pace despite the continued economic downturn. Due to the lengthy period in which it takes to successfully apply for a patent, recent figures may reflect the fruits of years past. Still, the trajectory of Austin's patent activity is clear. After declining in 2007, patent activity has surged 36 percent during the past four years.

Within the Austin region, IBM remains the leading generator of local patents. In 2010, IBM's Austin office produced nearly 750 patents. IBM is the nation's largest recipient of patents, with more than 5,800 awarded to the company in 2010 alone. Notably, Austin is the company's most productive producer of patents; last year the Austin IBM office generated more patents than the company's headquarters in New York. Other leading producers of patents within the region include Freescale, Dell, and AT&T.

Austin's high-tech expertise is further reflected in the types of patents awarded to local companies and individuals. Multicomputer data transferring, with 161 patents, was the leading technology class for patents issued to Austin entities. The second largest category of local patents, semiconductor manufacturing, was responsible for 131 patents in 2010. Other leading areas of Austin innovation include computer support, communications, and data error detection and correction.

Given the crucial role of innovation in generating wealth, Austin must maintain its advantage in patent activity. By leveraging its vast intellectual capital, Austin will continue to be one of the most economically dynamics regions in the world.

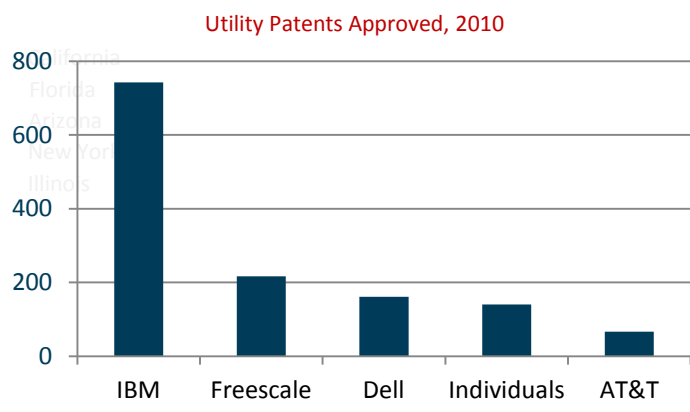
TOP 10 MOST PRODUCTIVE METROS FOR PATENT ACTIVITY*



*Among metros with at least 1 million residents

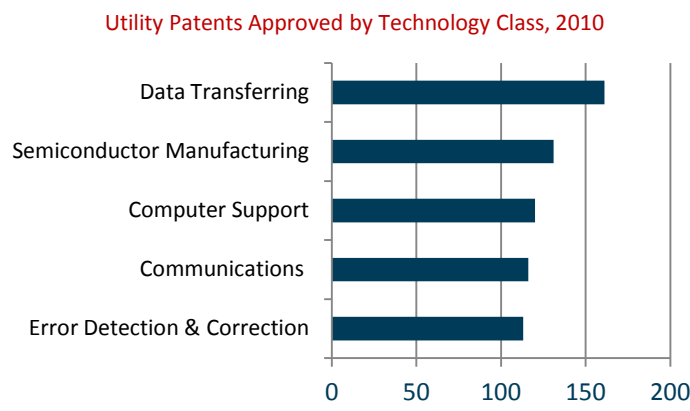
Source: U.S. Patent Office

AUSTIN METRO PATENT ACTIVITY



Source: U.S. Patent Office

AUSTIN METRO PATENT ACTIVITY BY TECHNOLOGY



Source: U.S. Patent Office